ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AT JUNE 30, 2001

(Unaudited)

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

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August 26, 2001

The Board of Directors of
Israel Chemicals Limited
Tel-Aviv

Re: Review of unaudited condensed consolidated interim financial statements for the periods ended June 30, 2001

At your request, we have reviewed the condensed consolidated interim balance sheet of Israel Chemicals Limited ("the Company") and its subsidiaries at June 30, 2001 and the condensed consolidated interim statements of income, changes in shareholders' equity and cash flows for the six and three month periods then ended, expressed in new Israeli shekels (NIS) adjusted on the basis of the changes in the exchange rate of the U.S. dollar. Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures include: reading of the aforementioned financial statements, reading of minutes of meetings of shareholders, the board of directors and its committees, and making inquiries of Company officers responsible for financial and accounting matters.

We were furnished with the reports of other auditors on their review of the condensed interim financial statements of subsidiaries, whose assets at June 30, 2001 constitute approximately 65% of total consolidated assets included in the condensed consolidated interim balance sheet as of June 30, 2001 and whose sales constitute approximately 76% of the total consolidated sales included in the condensed consolidated interim statements of income for the six and three month periods ended June 30, 2001. The interim financial statements of associated companies were also reviewed by other auditors.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the abovementioned condensed consolidated interim financial statements.

During our review, including perusal of the review reports of the other auditors referred to above, nothing came to our attention that indicated that significant changes should be made in the aforementioned condensed statements in order for them to be considered as drawn up in conformity with generally accepted accounting principles and with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

We draw attention to the uncertainty in respect of contingent liabilities of the Company and certain subsidiaries, as discussed in note 11c to the 2000 annual financial statements and note 3 to these condensed financial statements. In respect of certain of these contingent liabilities, provisions have been included in these condensed financial statements in amounts which, in the opinion of management of the said companies, are considered sufficient to cover any liability that may arise as a result thereof; no provisions have been made in respect of other contingent liabilities the amounts or ultimate outcome of which cannot be determined at this stage.

The accompanying financial statements are a translation into U.S. dollars of the abovementioned unaudited consolidated interim statements in adjusted NIS, in accordance with the principles described in note 2b to the 2000 annual financial statements.

Sincerely yours,

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b)

	June 30		**December 31,**
	2001	**2000**	**2000**
	(Unaudited)		**(Audited)**
	In thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	15,708	17,568	18,247
Short-term investments, deposits and loans	28,986	53,260	34,547
Accounts receivable:			
Trade	383,811	451,396	453,493
Other	181,372	183,931	200,721
Inventories	508,212	504,015	492,071
T o t a l current assets	1,118,089	1,210,170	1,199,079
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Associated companies	6,004	3,852	10,857
Other companies	52,151	49,170	51,037
Long-term deposits and receivables, net of current maturities	24,728	29,518	25,505
	82,883	82,540	87,399
FIXED ASSETS:			
Cost	3,966,601	3,943,435	3,970,644
L e s s - accumulated depreciation	2,103,662	2,002,320	2,059,264
	1,862,939	1,941,115	1,911,380
OTHER ASSETS AND DEFERRED CHARGES, net of accumulated amortization	153,688	119,464	158,187
	3,217,599	3,353,289	3,356,045

Date of approval of the financial statements:
August 26, 2001

Yossi Rosen
Chairman of the Board of Directors

Akiva Mozes
President and Chief Executive Officer

Avi Doitchman
Chief Financial Officer

	June 30		December 31,
	2001	**2000**	**2000**
	(Unaudited)		**(Audited)**
	In thousands		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term credit from banks and other credit granting institutions	548,543	448,364	552,105
Accounts payable and accruals:			
Suppliers and contractors	181,547	213,423	208,615
Other	204,495	241,722	243,936
T o t a l current liabilities	934,585	903,509	1,004,656
LONG-TERM LIABILITIES:			
Loans and other liabilities (net of current maturities):			
Debentures	8,730	14,517	8,934
Bank loans	919,488	1,074,275	980,317
	928,218	1,088,792	989,251
Deferred income taxes	249,142	238,283	252,837
Liability for employee rights upon retirement, net of amount funded with severance pay funds	128,565	114,652	129,985
T o t a l long-term liabilities	1,305,925	1,441,727	1,372,073
CONTINGENT LIABILITIES, see note 3			
T o t a l liabilities	2,242,510	2,345,236	2,376,729
MINORITY INTEREST IN SUBSIDIARIES	51,127	98,776	60,420
SHAREHOLDERS' EQUITY	925,962	909,277	918,896
	3,217,599	3,353,289	3,356,045

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE 6 AND 3 MONTH PERIODS ENDED JUNE 30, 2001

TRANSLATED INTO U.S. DOLLARS (note 1b)

	6 months ended June 30		3 months ended June 30		Year ended December 31,
	2001	**2000**	**2001**	**2000**	**2000**
	(Unaudited)				**(Audited)**
	In thousands (except per share and number of shares data)				
SALES - net	850,938	913,250	414,768	449,201	1,839,206
COST OF SALES	655,291	683,139	315,989	331,455	1,388,460
GROSS PROFIT	195,647	230,111	98,779	117,746	450,746
RESEARCH AND DEVELOPMENT EXPENSES - net	17,252	18,156	8,858	9,141	33,959
SELLING AND MARKETING EXPENSES	48,241	54,422	24,328	27,361	107,157
GENERAL AND ADMINISTRATIVE EXPENSES	43,620	46,422	21,486	22,397	89,427
OPERATING INCOME	86,534	111,111	44,107	58,847	220,203
FINANCIAL EXPENSES - net	42,914	38,241	14,797	21,383	85,871
	43,620	72,870	29,310	37,464	134,332
OTHER INCOME - net	2,233	8,268	379	5,070	7,062
INCOME BEFORE TAXES ON INCOME	45,853	81,138	29,689	42,534	141,394
TAXES ON INCOME, see note 4	9,706	25,172	9,516	12,678	43,999
INCOME FROM OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES	36,147	55,966	20,173	29,856	97,395
SHARE IN PROFITS (LOSSES) OF ASSOCIATED COMPANIES - net	(242)	197	(156)	116	366
MINORITY INTEREST IN LOSSES (PROFITS) OF SUBSIDIARIES - net	4,290	(153)	2,024	998	2,665
NET INCOME FOR THE PERIOD	40,195	56,010	22,041	30,970	100,426
BASIC NET INCOME PER NIS 1 OF PAR VALUE OF SHARES - in dollars	0.033	0.048	0.018	0.026	0.084
PAR VALUE OF SHARES USED FOR THE PURPOSE OF COMPUTATION OF PER SHARE DATA – NIS in Thousands	1,200,000	1,180,934	1,200,000	1,180,934	1,201,438

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE 6 AND 3 MONTH PERIODS ENDED JUNE 30, 2001

TRANSLATED INTO U.S. DOLLARS (note 1b)

	Share capital	Capital surplus	Differences from translation of financial statements of subsidiaries	Retained earnings	Cost of Company Shares Held by a Subsidiary	Total
	In thousands					
BALANCE AT JANUARY 1, 2001 (audited)	521,402	1,110	(21,438)	435,224	(17,402)	918,896
CHANGES DURING THE 6 MONTHS ENDED JUNE 30, 2001 (unaudited):						
Net income				40,195		40,195
Dividend				(26,317)		(26,317)
Other			(6,812)			(6,812)
BALANCE AT JUNE 30, 2001 (unaudited)	521,402	1,110	(28,250)	449,102	(17,402)	925,962
BALANCE AT APRIL 1, 2001 (unaudited)	521,402	1,110	(25,471)	427,061	(17,402)	906,700
CHANGES DURING THE 3 MONTHS ENDED JUNE 30, 2001 (unaudited):						
Net income				22,041		22,041
Other			(2,779)			(2,779)
BALANCE AT JUNE 30, 2001 (unaudited)	521,402	1,110	(28,250)	449,102	(17,402)	925,962
BALANCE AT JANUARY 1, 2000 (audited)	521,402	1,110	(15,175)	418,013		925,350
CHANGES DURING THE 6 MONTHS ENDED JUNE 30, 2000 (unaudited):						
Net income				56,010		56,010
Dividend				(50,172)		(50,172)
Cost of Company shares held by a subsidiary					(17,402)	(17,402)
Other			(4,509)			(4,509)
BALANCE AT JUNE 30, 2000 (unaudited)	521,402	1,110	(19,684)	423,851	(17,402)	909,277
BALANCE AT APRIL 1, 2000 (unaudited)	521,402	1,110	(19,580)	392,881	(17,402)	878,411
CHANGES DURING THE 3 MONTHS ENDED JUNE 30, 2000 (unaudited):						
Net income				30,970		30,970
Other			(104)			(104)
BALANCE AT JUNE 30, 2000 (unaudited)	521,402	1,110	(19,684)	423,851	(17,402)	909,277
BALANCE AT JANUARY 1, 2000 (audited)	521,402	1,110	(15,175)	418,013		925,350
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2000 (audited):						
Net income				100,426		100,426
Dividend				(83,215)		(83,215)
Cost of Company shares held by a subsidiary					(17,402)	(17,402)
Other			(6,263)			(6,263)
BALANCE AT DECEMBER 31, 2000 (audited)	521,402	1,110	(21,438)	435,224	(17,402)	918,896

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 AND 3 MONTH PERIODS ENDED JUNE 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b).

	6 months ended June 30		3 months ended June 30		Year ended December 31,
	2001	2000	2001	2000	2000
	(Unaudited)				(Audited)
	In thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income for the period	40,195	56,010	22,041	30,970	100,426
Adjustments required to reflect the cash flows From operating activities (a)	53,473	103,119	27,008	31,875	196,019
Net cash provided by operating activities	93,668	159,129	49,049	62,845	296,445
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of fixed assets	(57,276)	(94,396)	(23,523)	(45,505)	(178,467)
Investment grant relating to purchase of fixed assets	5,814	7,680	3,468	4,932	13,882
Acquisition of subsidiaries consolidated for the first time	157		157		
Proceeds from disposal of investments in subsidiaries consolidated in previous years (b)		5,269			19,035
Acquisition of minority's shares in subsidiaries	(6,788)	(149,630)	(6,788)		(220,187)
Associated and other companies - investments in shares and changes in loans thereto - net	(1,210)	(1,146)	(721)	(2)	(10,034)
Proceeds from disposal of investment in an associated company	6,928				
Investments in marketable securities and long-term deposits	(3,197)	(4,974)	(1,228)	(578)	(5,680)
Decrease (increase) in short-term deposits and loans - net	5,508	(1,341)	181	(905)	(4,369)
Amounts carried to other assets and deferred charges	(557)	(1,372)	(141)	(250)	(6,912)
Proceeds from sale of fixed assets	28,184	1,712	1,617	620	10,309
Proceeds from disposal of marketable securities and long-term deposits	3,227	9,396	1,259	6,069	31,114
Net cash used in investing activities	(19,210)	(228,802)	(25,719)	(35,619)	(351,309)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Cost of Company shares held by a subsidiary		(17,402)			(17,402)
Issue of share capital in a subsidiary to minority shareholders		66		66	210
Long-term loans received and other long-term liabilities undertaken	62,022	219,000	35,189	56,516	420,603
Repayment of long-term loans and discharge of other long-term liabilities	(68,208)	(108,202)	(25,641)	(23,760)	(261,957)
Dividend paid:					
To shareholders of the Company	(26,317)	(50,172)	(26,317)	(50,172)	(83,215)
To minority shareholders in subsidiaries		(1,668)		(1,668)	(3,243)
Short-term credit from banks and others - net	(44,199)	6,036	(11,769)	(7,459)	(19,111)
Net cash provided by (used in) financing activities	(76,702)	47,658	(28,538)	(26,477)	35,885
ADJUSTMENTS FROM TRANSLATION OF BALANCES OF CASH AND CASH EQUIVALENTS OF CERTAIN NON-ISRAELI SUBSIDIARIES	(295)	(1,164)	(95)	(311)	(3,521)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,539)	(23,179)	(5,303)	438	(22,500)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,247	40,747	21,011	17,130	40,747
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,708	17,568	15,708	17,568	18,247

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 AND 3 MONTH PERIODS ENDED JUNE 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b)

	6 months ended June 30		3 months ended June 30		Year ended December 31,
	2001	**2000**	**2001**	**2000**	**2000**
	(Unaudited)				**(Audited)**
	In thousands				
(a) Adjustments required to reflect the cash flows from operating activities:					
Income and expenses not involving cash flows:					
Minority share in subsidiaries - net	(4,290)	153	(2,024)	(998)	(2,665)
Associated companies - share in losses (profits) - net	242	(197)	156	(116)	(366)
Depreciation and amortization	84,763	91,609	42,245	46,701	180,130
Deferred income taxes - net	2,385	15,084	3,414	8,123	24,199
Liability for employee rights upon retirement - net	3,663	2,011	(1,322)	(715)	20,678
Capital losses (gains) on:					
Sale of fixed assets	678	(11,309)	658	(11,071)	(23,422)
Sale of shares in an investee company					(14,172)
Sale of shares in an associated company	(4,538)				
Erosion of principal of long-term loans and other long-term liabilities - net	(613)	(4,623)	(671)	(969)	(6,422)
Erosion of (exchange and linkage differences on) principal of long-term deposits and receivables - net	528	(470)	(368)	280	1,221
Loss (gain) from marketable securities - net	(180)	(1,545)	(743)	114	(376)
	82,638	90,713	41,345	41,349	178,805
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable:					
Trade	61,058	30,567	44,709	(39,340)	19,633
Other	(15,466)	(15,879)	(5,201)	(3,703)	(27,008)
Increase (decrease) in accounts payable and accruals:					
Suppliers and contractors	(19,624)	2,615	(9,740)	44,876	6,808
Other	(34,814)	4,430	(28,037)	566	19,546
Increase in inventories	(20,319)	(9,327)	(16,068)	(11,873)	(1,765)
	(29,165)	12,406	(14,337)	(9,474)	17,214
	53,473	103,119	27,008	31,875	196,019
(b) Proceeds from disposal of investments in subsidiaries consolidated in previous years:					
Assets and liabilities at date of disposal:					
Working capital (excluding cash and cash equivalents)		(1,877)			(10,176)
Long-term investments					547
Fixed assets - net		8,207			19,959
Goodwill					(182)
Long-term loans and other liabilities		(1,061)			(3,070)
Capital gain from sale of investment in a subsidiary					14,172
Amount not yet received in respect of the disposal					2,215
		5,269			19,035

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AT JUNE 30, 2001

NOTE 1 - GENERAL:

a. The condensed consolidated interim financial statements of Israel Chemicals Limited (hereafter - the Company or ICL) and its subsidiaries (together - the Group) at June 30, 2001 and for the six and three month periods then ended ("the interim statements") have been prepared in a condensed form, in accordance with accounting principles generally accepted for interim financial statements and with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. The generally accepted accounting principles applied in preparation of the interim statements are consistent with those applied in preparation of the annual consolidated financial statements; nevertheless, the interim statements do not include all the information and notes which are required for the consolidated annual financial statements.

b. **Financial statements translated into U.S. dollars**

The Group's primary financial statements have been prepared on the basis of historical cost adjusted to reflect the changes in the exchange rate of the U.S. dollar (hereafter - dollar; or $), in accordance with pronouncements of the Institute of Certified Public Accountants in Israel. All figures in the said primary accounts are presented in NIS adjusted based on the exchange rate of the dollar at June 30, 2001.

These financial statements are a translation of the aforementioned primary financial statements into dollars on the basis of the exchange rate at June 30, 2001 - $1 = NIS 4.165

c. The changes in the exchange rate of the dollar and in the Israeli consumer price index in the reported periods were as follows:

	Exchange rate of the dollar	**Israeli consumer price index**
	%	**%**
6 months ended June 30:		
2001	3.1	1.1
2000	(1.7)	0.4
3 months ended June 30:		
2001	(0.6)	1.6
2000	1.4	1.6
Year ended December 31, 2000	(2.7)	-,-

NOTE 2 - SUBSIDIARIES AND ASSOCIATED COMPANIES:

a. The sale of 50% of the holding in I.D.E. Technologies Ltd. (hereafter - I.D.E.)

On September 19, 2000, the Company entered into an agreement for the sale of 50% of the shares of I.D.E. to Delek Investments and Properties Ltd.

Following this sale, the financial statements of I.D.E. are included in the financial statements of the Company, commencing October 1, 2000, by the proportionate consolidation method.

b. Acquisition offer for the shares of Dead Sea Bromine Ltd. (hereafter - DSB)

On November 7, 2000, the Company published an offer for the acquisition of DSB's shares. Following the acquisition offer, on December 5, 2000, the Company purchased, directly, the balance of publicly held shares - approximately 10.77% of DSB's share capital - for NIS 28.8 per share (as of the date of the offer - $ 7.1 per share), at a total cost of approximately $ 66.4 million.

The excess of cost over the book value of the underlying assets, net of underlying liabilities at time of acquisition, aggregates approximately $ 38 million. To the date of issue of these financial statements, the Company has yet to complete the assignment of the fair value to the purchased assets and liabilities as of date of acquisition. The above excess is temporarily presented under "other assets and deferred charges", and is being amortized over 20 years.

On December 5, 2000, the trade in shares of DSB was terminated and on December 10, 2000, the shares' registration as publicly traded shares was cancelled.

c. The purchase of the shares of Iber Potash S.A. (hereafter - IP) by a subsidiary

In 2000, Dead Sea Works Ltd. (hereafter - DSW) exercised an option which it had received under an agreement entered into in 1998 (hereafter - the agreement), between the shareholders of IP, and acquired the holding of one of them in IP (20%) through a subsidiary - Ashli Chemicals B.V. (Holland) (hereafter - Ashli) - at a price of $ 5.8 million. The goodwill arising on this acquisition was $ 1.7 million.

During May 2001, DSW exercised an option which it had received under the agreement, and acquired the holding of the other shareholder in IP (20%) through Ashli at a price of $ 6.8 million. The goodwill arising on this acquisition was $ 2.6 million.

After this last acquisition, DSW holds 100% of the share capital of IP.

d. Sale of shares of an associated company

On February 13, 2001, DSW sold its entire holdings (49.48%) in Dead Sea Laboratories Ltd., a company engaged in the production, marketing and sale of cosmetics and skin-care products under the brand name "Ahava", in consideration for $ 6.9 million. The capital gain and net income recorded in respect of that sale is approximately $ 4.5 million.

NOTE 3 - CONTINGENT LIABILITIES:

1) Since 1994, DSB, Bromine Compounds Ltd. ("Compounds") and Ameribrom, Inc. (together - "the Bromine Group") has been impleaded into several cases brought against American companies in courts in the United States (including two class actions) by approximately 30,000 plaintiffs (hereafter - the plaintiffs) claiming that they had worked on banana plantations, mainly in South America, the Caribbean, Africa and the Philippines. The plaintiffs allege that they sustained physical injury as a result of their exposure to a certain chemical many years ago when they were plantation workers, in their countries of residence. The chemical in question was produced by a number of companies, including large chemical companies, and supplied to companies engaged in banana cultivation (collectively - the defendants) over a period of approximately thirty years (1960 to 1990).

   Many of the above cases have been transferred by the American court to the countries of residence of the plaintiffs. However appeals on various aspects of such judicial decisions are still pending before a number of appeal courts in the U.S. In most of these cases, the companies of the Bromine Group are designated as the direct defendants. It is not possible to evaluate the chances that, despite that mentioned above, all or some of the above cases may be returned to U.S. courts.

   During the period in which the above legal proceedings were in process, most of the plaintiffs reached compromise arrangements with most of the defendants involved. The companies of the Bromine Group are mentioned as parties benefiting from the waivers agreed to by many of the plaintiffs, although they are not a direct party to the said agreements. At this stage, it is not possible to evaluate the effect of the above compromise arrangements on the arguments of the claims for indemnification and participation in damages filed against the companies of the Bromine Group. It should be noted that there are claims of some 5,000 plaintiffs who are not party to the above compromise arrangements.

   The Bromine Group companies claim absence of liability and lack of jurisdiction of the courts hearing the claims in their case.

   In addition, the Bromine Group companies estimate that the quantities of chemicals supplied thereby, if any, are small as compared to the quantity supplied by the other producers being sued in the abovementioned litigation.

   Management of the Bromine Group is of the opinion that, at the relevant times, the Bromine Group had certian insurance coverage for cases such as the events that are the subject of the claims. However, this matter is in dispute with at least some of the insurers involved. The Bromine Group has lodged a claim against the insurers with respect to that dispute. In April 2001, the insurers of the Bromine group companies, who refuse to recognize their responsibility in this matter, filed a request for the rejection, in limine, of the claim of the Bromine companies, contending that there are disclosure defects in the documents submitted to them. In June 2001, the court deliberated this request and ruled for a supplemental partial disclosure of the documents. Supplemental disclosure as above is supposed to take place in September 2001. A reminder date was set to November 2001, if necessary.

NOTE 3 - CONTINGENT LIABILITIES (continued):

Since the claims in question are for personal injury, they do not stipulate any amounts. Nevertheless, since there are thousands of plaintiffs, if they are successful in their claims, the amounts the Bromine Group will have to pay, net of the amounts recognized and paid by the insurers, could be substantial.

In view of the above, management of the Bromine Group and its legal advisors are unable at this stage, to evaluate if and to what degree the Bromine Group is exposed to responsibility in these legal proceedings, considering the uncertainties involved therein. Therefore no provision has been included in respect of these claims.

2) In July 2000, the Bromine Group and the U.S. Department of Justice reached an agreement regarding the investigation of the alleged violations of U.S. antitrust laws. Under the agreement, reached as a plea bargain which was approved by the U.S. court, the Bromine Group paid a fine of $ 7 million.

The plea bargain does not apply to the civil action pending against the Bromine Group in the United States. In February 2000, a request was filed for recognition of that action as a class action. No amounts have been specified in respect of this action, under which damages are being claimed under U.S. law by purchasers of bromine and bromine products.

The Bromine Group has recently reached a compromise agreement with the representatives of the plaintiffs in the above claim, providing for the payment of $ 2.5 million in complete settlement of the claim pending against it. The compromise agreement is subject to the fulfillment of a number of preconditions. These preconditions include a court preruling, the certification of the lawsuit as a class action and the reaching of a minimum rate of claimants in the representative group. In April 2001, the amount of the compromise agreement relating to the this claim, was deposited in trust with the representative of the plaintiffs. A provision in this amount has been included in the financial statements for 2000.

Over a year ago, one of the two main competitors of Bromine Group announced that it was cooperating with the anti-trust authorities in the European Union with regard to a similar investigation.

As of the date of approval of these financial statements, the Bromine Group and its legal counsel are unable to estimate the effect of this event on the results of operations, due to the uncertainty as to its outcome. Therefore, no provision has been made in respect thereof in these financial statements.

NOTE 3 - CONTINGENT LIABILITIES (continued):

3) A claim for $ 17 million has been filed against the Company and two of its subsidiaries (hereafter - the defendants) and an application to approve this claim as a class action. The claim alleges violation of anti-trust legislation and argues that the defendants abused their status as a monopoly to determine a price for phosphoric fertilizer which is much higher than the prices of the raw materials used in its production.

   On July 12, 2001, the parties reached a settlement. Under the settlement, the claimants waived all of their past claims against the defendant pertaining to the setting of the above prices. In addition, a method for the computation of prices for the said fertilizer was agreed upon, that shall be applied during seven years after the issue of the verdict. The parties have an option to withdraw from the agreement, under certain conditions, until September 5, 2001.

4) Contrack Line Ltd. (hereafter - Contrack) has filed a claim against DSW, Edom Mining and Development Ltd. (hereafter - Edom) and other companies, for infringement of a patent registered by Contrack and Edom, in respect of a dredge for crushing salt mushrooms, which was designed to crush the salt mushrooms in the evaporation ponds of DSW, and in respect of breach of copyrights with respect to a proposal submitted by Contrack and Edom to DSW and blueprints of the dredge. The reliefs requested by contract are injunctions, mandatory injunctions and accounts. Splitting of remedies for future claims of financial remedies has been allowed. In addition, with the court’s approval, the claim has been amended and causes referring to the negotiations held subsequent to the lodging of the claims have been added.

   The arguments of DSW’s defense are based, inter alia, on claims against the validity of the patent as detailed in the request for cancellation of the patent, which was filed by DSW, and on its development and use of dredges for several decades.

   On December 9, 1998, the Court ruled that DSW had infringed the patent and prohibited DSW to continue to operate the dredge. Moreover, the parties were given an extension of six months to reach an agreement regarding operation and acquisition of the dredge. A request for a stay of execution of the said ruling has been filed, as has an appeal to the Supreme Court. The request has been granted and a settlement was reached allowing the operation of the vessel, subject to the duty to file quarterly reports.

   A provision for legal expenses, which may be incurred by DSW, was included in the financial statements, based on its management estimate.

   DSW was in the course of negotiating with Contrack for compromise to settle this dispute. During the negotiations, the parties discussed a possibility of performance of guarding services by Contrack, through the vessel in dispute, under an agreement for a contracting work in effect for a period of 15 years. Alternatively, Contrack has suggested to put an end to the dispute in consideration for a one-time payment of $10 million to $14 million. The parties have not reached any agreement.

NOTE 3 - CONTINGENT LIABILITIES (continued):

On March 12, 2001, Contrack filed a claim for damages of approximately $53.4 million, in the Tel-Aviv District Court. Contrack also filed a request for exemption from claim filing fee. On April 10, 2001, DSW responded to the request of Contrack to exempt it from the claim filing fee. Contrack responded to DSW's response. No decision in this matter has yet been handed down. Should DSW deem it necessary it may, in the future, file a request to suspend the consideration of claim, until after a ruling is handed down in the appeal it filed with the Supreme Court. In the opinion of the management of DSW, there is a reasonable chance that the appeal it filed against the decision of the District Court, on which this claim relies, will be accepted. Therefore no provision has been included in the financial statements, in respect of this claim. However, since the outcome of the appeal is in the hands of the Court and considering the present stage of its consideration, it is not possible to definitely forecast the results of the claim and its impact on DSW.

5) DSM is currently involved in an antidumping (AD) investigation and in a countervailing duty (CVD) investigation on pure magnesium that is now pending before the U.S. Department of Commerce (DOC) and International Trade Commission (ITC). The DOC has issued a preliminary determination in each investigation finding of approximately 13% margins. The DOC will issue a final determination in each investigation during September, 2001 in which it may modify the preliminary margin determinations based on DSM’s arguments and the arguments of the petitioner who filed the petition that began the investigation.

   DSM rejects the preliminary determinations.

   DSM considers the U.S. to be an important market. Its sales of pure magnesium in the U.S. in 2000, amounted to $14.7 million. DSM is cooperating with the American authorities and responds to all of their requests. However, at this stage, the management of DSM is unable to predict the effect of the said investigation on its operations and financial position.

6) Ecological damage:

   a) The local authorities in Germany are demanding that a German subsidiary of Rotem (hereafter the “German company”), along with the company that leases its land ("the Lessor"), remove waste consisting of metal oxides, that was placed on the land by the German company, and later - by the Lessor - claiming that the waste could cause groundwater contamination. On November 10, 2000, the German company and the Lessor reached an agreement with the local authorities as to the waste mentioned above. ICL included a provision of $ 1.3 million in its accounts in respect of this agreement, based on its estimated share in the anticipated expenses.

   b) The Bromine Group manufactures, stores and sells dangerous chemical products. Accordingly it is exposed to risks resulting from environmental damage. The Bromine Group invests substantial amounts in order to meet environmental orders and standards. The financial statements include a provision amounting to approximately $ 5.8 million, which, in the opinion of the Bromine companies' management, on the basis of information available to it, is adequate to cover possible liabilities in respect of environmental damage in which the Bromine companies are involved.

NOTE 3 - CONTINGENT LIABILITIES (continued):

c) In January 1998, a report was submitted to the Ministry of the Environment and to the Ramat Hovav Local Industrial Council. It contains data relating to underground pollution in the Ramat Hovav region, where a plant of the Bromine companies is located, along with other chemical plants. The report includes recommendations regarding steps to be taken to prevent infiltration of pollutants into the ground in the Ramat Hovav area and to prevent the spreading thereof.

At this stage, the Bromine companies and their legal counsel cannot estimate the extent to which they will be held responsible for the above and the expenses they may incur in respect thereof, among other reasons, because the report and the results thereof are very incomplete. Therefore, no provision has been made in these financial statements in respect of this matter.

During 1998, the investigators who issued the above report, began a four year jointly funded research project (of which the above subsidiary's share is $ 600,000) for the purpose of advancing the implementation of the recommendations of the above report.

d) In 1986, soil contamination was found on a certain part of the land leased in the Netherlands by a Dutch subsidiary in the Rotem group (hereafter the "Dutch company"). Management of the Dutch company is of the opinion, based on the policy currently in practice with respect to enforcement of environmental quality laws, and taking into account the fact that a warehouse was built on the contaminated land, with the approval of the authorities the likelihood that the ecological authorities, of the Netherlands will require that the contaminated land be cleaned up seems small. Upon granting the permit for construction, the authorities referred to the contamination as severe, but decided that, at that stage, there was no need to clean it up. Consequently, the Dutch company's management does not intend to initiate the cleaning up of the contamination. Cleaning up the contamination could be very costly. However, the question may become relevant only in the event of closing down the Dutch company's plant and returning the land to the harbour authority.

In management's opinion, the previous owner is responsible for the contamination, since it was not brought to the attention of the Dutch company prior to its occupation of the site. The question of responsibility for any damage to third parties, if any, is being litigated and has not yet been resolved.

e) In accordance with the provisions of Spanish laws relating to environmental quality, in respect of land affected by mining activity, two subsidiaries of DSW have submitted plans for removing waste and rehabilitating the mining waste site. The plan is expected to last for 24 years and 36 years, respectively, for each of those companies. Based on evaluations made by those companies, and considering the quantity of waste currently remaining to be removed, a provision of approximately $ 2.6 million has been made for this matter.

NOTE 3 - CONTINGENT LIABILITIES (continued):

g) On June 13, 2001, a monetary claim in the amount of $15 million was filed against a subsidiary and against 9 other entities, alleging that the defendants discharged sewage into the Kishon River which, according to the plaintiffs, was the cause of the cancer which they developed. In the opinion of Management, which is based on the advice of legal counsel handling the claim, it is not possible, at this stage, to evaluate the outcome of the claim, and therefore no provision has been made in respect thereto.

NOTE 4 - TAXES ON INCOME

The decrease in the rate of tax relative to the pre-tax net income in the six months ended June 30, 2001, is mainly the result of the creation of deferred taxes, during the first quarter in respect of tax losses accumulated in prior years by a subsidiary which, according to a revised evaluation, can be utilized in future years, as well as in respect of income which was offset against losses carried forward from prior years for which no deferred taxes had been created. This decrease was to an extent offset by the effect of the real devaluation in the rate of exchange of Israeli currency vis-a-vis the dollar.